



MARK GOTTLIEB

ASSISTANT REPUBLICAN LEADER
WISCONSIN STATE ASSEMBLY

**Testimony of Representative Mark Gottlieb
Assembly Bill 149
Assembly Committee on Urban and Local Affairs
May 5, 2009**

Thank you Chairperson Berceau and members of the committee for the opportunity to testify today on Assembly Bill 149 (AB 149), the Property Taxpayers Temporary Assistance Act.

Our economy is experiencing the most serious recession in decades. Businesses are closing. Workers are being furloughed, wages are being frozen or reduced, and jobs are being lost.

Unemployment increased in March in every one of our 12 metro areas and in 64 of 72 counties. Across the state, over 263,000 people were unemployed in March. Clearly, many of our constituents are struggling to make ends meet.

Property tax is one of the expenses that people are struggling to pay. Unlike income taxes, property taxes don't rise or fall with increases or decreases in earnings. They aren't based on ability to pay. Property taxes are a non-discretionary expense, and the property owner has no control over when or how much his taxes will be.

As a result of the economy, property tax delinquencies are up in many areas of the state. According to The Capital Times, the number of tax delinquent properties in Dane County jumped 27 percent last year from 2,845 to 3,942. And according to Dane County Treasurer Andy Worzala, the total is running about 300 properties ahead of the same date a year ago.

The Wisconsin State Journal reported that the number of delinquent properties increased 24 percent in Adams County and the amount owed doubled to \$3.8 million in September 2008. Dodge County had seen only a 10 percent increase as of August 2008, but in November Treasurer Patti Hilker reported that the number of tax foreclosure notifications increased to 88 from 26 just a year earlier.

The La Crosse Tribune reported that, at the start of 2008, delinquent taxpayers owed LaCrosse County more than \$1.7 million in taxes for 2006 and prior years. That amount grew to \$2.2 million as of January 2009. LaCrosse County Treasurer Donna Hanson told the Tribune that the economy is taking a toll on many taxpayers, particularly those on fixed incomes.

Winnebago County experienced an increase in delinquent property taxes of \$1.3 million in 2009 as compared to 2008. Delinquencies in Appleton, Menasha, Neenah, and Oshkosh were up 13 percent as of December 31, 2008.

STATE REPRESENTATIVE • 60TH DISTRICT

This pattern is also seen in the southeastern part of the state. In Washington County, tax collections in February 2009 lagged behind 2008 levels. Ozaukee County reported a 6.1 percent increase in delinquent taxes compared to last year. Waukesha County experienced increases of 6.24 percent in postponed taxes and a 24 percent increase in delinquent property tax as compared to a year ago.

Current law allows 12 percent interest (one percent per month) on delinquent property taxes, plus an additional 6 percent penalty for a total of 18 percent per year. We all know that interest rates are declining, with the prime rate at its lowest level in over 50 years. In recognition of historically low interest rates, even the IRS has reduced its interest on underpaid taxes to 4 percent per year.

What does AB 149 do?

AB 149 lowers the maximum interest rate that can be charged on delinquent property taxes from 12 percent annualized to 6 percent annualized, until December 31, 2010. After that date, the maximum interest rate returns to the one percent per month in current law.

The bill does not change current law that allows a county, at its option, to impose an additional penalty of up to six percent per year.

This bill is a small step we can take to recognize current economic conditions and help people stay in their homes. Interest rates charged by the Government should bear at least some relationship to interest rates in the marketplace. Charging 18 percent (interest and penalty) in this current economic environment is clearly exorbitant.

The temporary relief offered by this bill will be welcomed by people struggling to meet the expenses of daily living.

Thank you for hearing this bill. I hope that you will give serious consideration to taking executive action on AB 149 in the near future.



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MEMORANDUM

TO: Honorable Members of the Assembly Committee on Urban and Local Affairs

FROM: David Callender, Legislative Associate *DC*

DATE: May 5, 2009

SUBJECT: Opposition to Assembly Bill 149

The Wisconsin Counties Association (WCA) opposes Assembly Bill 149 (AB 149).

WCA appreciates the plight of many homeowners struggling to pay their property taxes during the current economic crisis. Many WCA members indicate that they have seen an increase in delinquencies in recent months, due in part to the increase in unemployment and other economic pressures.

As officials responsible for providing basic "safety net" services ranging from economic support to prevention of child abuse and neglect, WCA members have seen growing demand for these services reflecting the upheaval in many of county residents' lives. WCA and its member counties want to be as sensitive to taxpayers' needs as possible during this difficult time, and many counties have established formal and informal means of avoiding delinquencies for individual homeowners.

However, WCA has the following concerns about AB 149:

- While WCA is grateful that this is a temporary reduction of the interest rate, and not a permanent one, this raises a question of equity. In effect, the bill creates two classes of taxpayers: those who pay their taxes before the bill takes effect, and those who pay them after. Taxpayers who paid their delinquent taxes to stave off foreclosure before this law takes effect could have saved hundreds or thousands of dollars in interest if they had waited.
- The "interest rate" referred to in this bill is actually a penalty imposed for those who violate the law and do not pay their property taxes on time. This penalty is similar to that imposed on taxpayers who do not pay their state income and sales taxes on time. It would appear inequitable to reduce the penalty for delinquent local property taxpayers and not make a similar reduction for those who do not pay their state taxes.

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- According to the Department of Revenue's fiscal note, this proposal would reduce revenues for counties and the City of Milwaukee by \$16 million. This reduction comes as counties are operating under levy limits and the Governor's budget would reduce state aids to counties for essential "safety net" programs by \$75 million less than their 2009 levels.
- Many of those who owe the most in delinquent taxes are developers and businesses, not homeowners. Most often, the penalties paid on delinquent taxes are considered a business expense and the costs are recovered as part of the development process. Yet the loss of revenues from these penalties will have to be made up by county residents who pay their property taxes on time.

WCA believes that although the goals of AB 149 are laudable, these concerns reflect serious problems with the bill's implementation, and its impact on county governments would be severe.

Thank you for considering our comments. Please feel free to contact me if you have further questions.

In response to bill 149

Billy R McCoy

1326 Putnam Ave

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While I was running for the city council in the city of Janesville, I had many concerned citizens question me on property taxes and the interest involved if unpaid. They were concerned because many citizens have been laid off from work and are barely making their house payments. Many of the citizens I spoke with did not have property taxes incorporated in their monthly house payment and they were concerned with the high interest of their unpaid taxes. I contacted Mike Sheridan's office about this situation and he informed me that Representative Mark Gottlieb was looking into something similar to what I was asking him to do.

The property taxes of Janesville, WI have continually increased over the past several years. Citizens are having difficulties making their payments with the interest of unpaid property taxes being so high. It is causing many citizens to get deeper and deeper into debt.

I feel that the property tax interest should be abolished and backdated

from 2008. This should continue through 2014 and until our economy can recuperate. After 2014, we will need to research a better way to deal with property taxes and the interest.

As for myself, I had to borrow over \$900 to pay for part of my property taxes last December. I am on a fixed income and I am unable to come up with the rising costs of the economy. If I am unable to lower my house payment, I will be forced into being late paying my property taxes in July. We give banks bailouts, we give companies TIF districts and I feel it is time for homeowners in Wisconsin get a break!

May 5, 2009

TO: Assembly Committee on Urban and Local Affairs

FROM: E. Joe Murray
Director of Political and Governmental Affairs

RE: Assembly Bill 149

The Wisconsin REALTORS® Association (WRA) supports Assembly Bill 149, relating to the interest rate on delinquent property taxes.

Under current law, the interest rate on delinquent property taxes (including special charges, assessments and taxes) is 1 percent per month for each month the taxes remain unpaid. Under AB 149, the interest rate on delinquent property taxes would be 0.5 percent per month for each month the taxes remain delinquent. The reduced interest rate would sunset on December 31, 2010.

AB 149 is one small way that local government can help struggling property taxpayers stay in their homes. Wisconsin's unemployment rate is currently running at 9.4 percent and will likely go higher before the recession ends. With a difficult economy and mounting job losses, property tax delinquencies have increased across the state, significantly in certain counties.

For example, the slow real estate market and economic downturn has resulted in a record amount of delinquent property taxes in Dane County. The amount of delinquent taxes has nearly doubled since 2005, climbing to \$13.3 million through the end of 2008. In Adams County, the amount owed doubled between September 2007 and September 2008 to \$3.8 million. And Dodge County property tax delinquencies have increased from \$2 million to \$2.2 million as of August 31, 2008.

In addition, we believe the government interest rate is too high. AB 149 reduces the interest rate on late payments from 12 percent to 6 percent per year, until the end of 2010. Interest rates are at historic lows with the prime rate the lowest in 50 years. During these difficult times, government interest rates should more closely resemble market interest rates.

The WRA urges you to support AB 149.